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5 July 1956

CURRENT INTELLIGENCE WEEKLY SUMMARY

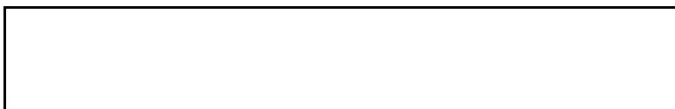


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AUTH: HR 70-2
DATE 70/1/29 REVIEWER: 25X1

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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST✓ USSR CENTRAL COMMITTEE RESOLUTION
ON DE-STALINIZATION Page 1

The Soviet central committee resolution of 30 June is intended as the party's "Marxist explanation" to the foreign Communists who have raised questions in connection with the de-Stalinization campaign. It contains the fullest exposition yet given the Soviet public of the charges made in Khrushchev's secret report. While the resolution may reflect some uneasiness in the Soviet party over the reaction to the campaign, it does not appear to forecast any backtracking on the anti-Stalin line. [REDACTED]

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✓ THE POZNAN RIOTS Page 2

Despite the claims of the Polish regime that its liberalization program will continue, the Poznan riots have doubtless brought under review in both Warsaw and Moscow the whole question of the practical dangers inherent in such a course. The riots will probably enable the Moscow-oriented elements of the Polish party to check the move toward greater party democracy and a measure of greater independence from Moscow and thus set back at least temporarily the efforts of Premier Cyrankiewicz and the liberal elements. [REDACTED]

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PART II

NOTES AND COMMENTS

✓ SOVIET POLICY IN THE NEAR EAST Page 1

Statements in Moscow by Soviet officials, as well as remarks made by Shepilov on his tour of the Near East, have been phrased so as not to add to the tensions in the area. Moscow has avoided encouraging the Arabs and Israelis regarding the Palestine dispute, the Arabs with respect to the Algerian problem, and the Greeks regarding the Cyprus issue. [REDACTED]

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CONFIDENTIAL

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~~CONFIDENTIAL~~
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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956



25X1

✓ USSR SUPREME SOVIET TO MEET Page 3

The USSR Supreme Soviet in the session scheduled to convene on 11 July will probably go further than at any time in the past in attempting to create the impression that it is a true legislature. To accomplish this purpose the Supreme Soviet may amend the electoral law, may hold committee meetings and may debate with some appearance of spontaneity measures brought before the session.

25X1

CHOU'S SPEECHES HIGHLIGHT
NATIONAL PEOPLE'S CONGRESS Page 4

The Chinese Communist National People's Congress would up its third annual session with domestic and foreign policy speeches by Premier Chou En-lai. Chou stated that a government decentralization program is in draft form and will be "provisionally" implemented next year. In his first major foreign policy speech since January, Chou made a studied effort to appear conciliatory on the Taiwan issue while making no concessions.

25X1

COMMUNIST CHINA COMPLETES
NEW NORTH-SOUTH TRUNK RAILROAD Page 6

The Chinese Communists have announced completion of the Chengtu-Paoki railroad, which finishes a 728-mile link from the main east-west line in North China to Chungking on the Yangtze River. The link will ultimately connect with two additional trunk lines now being extended into southwest China. This new north-south rail axis, some 600 miles from the eastern coastline, will make possible, within the next few years, direct inland rail service from the USSR to Indochina.

25X1

CONFIDENTIAL

~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

5 July 1956

✓ **SOVIET VIEWS****ON A WESTERN ECONOMIC CRISIS Page 7**

Since the 20th Party Congress, Soviet economists have remained unwilling to commit themselves to any specific timing for a major Western depression. The most recent pronouncement of Eugene Varga, the controversial dean of Soviet economists, concludes that the next economic crisis in the United States will not be as severe as that of the early 1930's. Varga also seems less hopeful than were Mikoyan and Khrushchev at the party congress about prospects for intensifying Western economic difficulties by pressing for world disarmament or competing economically with the West in industrially undeveloped areas. [REDACTED]

GUATEMALA Page 8

The government of President Castillo Armas, which held "Liberation" celebrations between 1 and 3 July, only a week after serious student disorders, appears to have control of the situation in Guatemala City. No major disturbances have been reported since the government's declaration of a state of siege on 26 June, but there have been some attempts at sabotage, and differences between the government and students remain unsettled. [REDACTED]

**BRAZILIAN COMMUNISTS
BREAK WITH KUBITSCHKEK REGIME Page 9**

The reported decision of the Brazilian Communist Party on 20 June to "break completely" with President Kubitschek's government was probably caused by his increasingly firm anti-Communist position. The harassing campaign which the party now plans seems likely to add substantially to the government's numerous political problems and to hamper Brazil's economic rehabilitation program. [REDACTED]

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THE NEW AUSTRIAN GOVERNMENT Page 10

Austrian chancellor Raab's new coalition government, installed on 29 June, reflects his People's Party's moderate gains over the Socialists in the 13 May elections. The two most important changes are the creation of a Defense Ministry and the dissolution of the Socialist-run Ministry of Transportation and Nationalized Industries. Prospects are that government stability will continue. [REDACTED]

25X1

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111

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

5 July 1956

INDONESIAN COMMUNIST PARTY Page 11

A major address on 27 June by D. N. Aidit, secretary general of the Indonesian Communist Party, appears to chart the course which the party will follow during the coming months. On domestic problems, Aidit took a more threatening stand than he has assumed publicly for the past two years. On Stalin and the personality cult, he said the issue had been confused by the capitalist press and, with qualifications, agreed with Soviet criticism of Stalin.

**INDIAN OPPOSITION PARTIES
PREPARE FOR 1957 ELECTIONS Page 12**

Indian opposition parties are already discussing united action against the ruling Congress Party in the national elections scheduled for early 1957 and appear to have reached some measure of agreement. By contrast, regional Congress Party meetings seeking to end factionalism are apparently having little success.

PART III**PATTERNS AND PERSPECTIVES****✓ THE HUNGARIAN OPPOSITION Page 1**

Strong forces in opposition to the Hungarian Communist Party leadership have in recent months begun to coalesce into an active political faction with identifiable leaders. This group, essentially one of moderation, advocates the removal of the "Stalinists," including party secretary Rakosi, and favors the democratization of the Communist system and an immediate rise in the standard of living. The group has received moral encouragement from the decisions of the Soviet 20th Party Congress and has taken advantage of Rakosi's apparent failure to maintain tight party discipline. However, a resolution passed by the Hungarian central committee on 30 June, attacking "antiparty" elements, suggests that Rakosi, with apparent Soviet support, is attempting to reassert his leadership.

SECRET

iv

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

PART I

OF IMMEDIATE INTERESTUSSR CENTRAL COMMITTEE
RESOLUTION ON DE-STALINIZATION

The Soviet central committee resolution of 30 June explaining and defending the downgrading of Stalin is intended as the party's "Marxist explanation" to questions recently raised by foreign Communist parties. It contains the fullest exposition yet given to the Soviet public of the charges made in Khrushchev's secret report.

Several foreign Communist leaders have expressed annoyance with Moscow's handling of the anti-Stalin campaign and have called for a fuller explanation of the causes and consequences of Stalinism. Moscow's statement attempts to provide answers to two of the more fundamental questions raised: What were the conditions that gave rise to the development of Stalinism and did the present leadership of the Soviet party do anything to prevent Stalin's errors?

Motives for the Campaign

The Soviet apologia first of all appeals for an appreciation of the motives underlying de-Stalinization, which it represents as a necessary step freely taken by the present leadership in full awareness of likely consequences. "The party resolved to take this step," the resolution states, "exclusively on its own initiative, being guided by the consideration that if the stand taken against the cult of Stalin caused some temporary difficulties, it would still, from the point of view of the vital interests and ultimate aims of the working

class, have a vast positive result."

Causes of Stalin's Rise

In dealing with the question of Stalin's rise, the resolution amplifies earlier answers provided both by Moscow and by Western Communist parties, but seems once again to side-step the basic issue of how a system which purportedly rests on scientific laws can develop the irrational abuses of Stalinism. An attempt is made, instead, to base the defense on results rather than causes.

Restrictions on freedom and democratic processes, which admittedly existed in the past, are represented as a necessary and temporary evil at a time when the USSR was a "besieged fortress situated in a capitalist encirclement." Stalin's worst crimes are portrayed as aberrations which, though harmful, did not divert the true course of socialist development. Stalin, it is asserted, "could not change and has not changed the nature of our social order." Italian Communist leader Togliatti is therefore said to have had no foundation for asking whether Soviet society had assumed "certain forms of degeneration."

Soviet Achievements

In an apparent effort to shift discussion away from a theoretical explanation, the statement repeatedly refers to the USSR's achievements,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

5 July 1956

despite Stalin and against great difficulties, and reminds foreign Communists that without the Soviet Union's trail-blazing efforts, the international Communist movement would amount to nothing. It cites measures being taken to guard against a recurrence of Stalinism and seems to suggest that Communists turn their attention toward the optimistic prospects which the present course opens up for the future.

The present leadership, the resolution indicates, is sensitive to criticism of its own role in Stalin's regime but unwilling to assume personal responsibility. It asks, instead, for an appreciation of its "boldness and courage" in carrying out the posthumous attack on Stalin. Many of Stalin's errors are said to have been unknown to the present leaders during his lifetime and, in any case, an attempt to remove him "would not have been understood by the people" and would have been extremely dangerous in the presence of capitalist encirclement." In these circumstances, the argument concludes defensively, the issue is "in no way a question of lack of personal courage."

Ideological Solidarity

Although it insists that there is no crisis or confusion

in the ranks, the Soviet statement stresses the need for ideological solidarity and cites the Poznan demonstrations as a reminder of the dangers of dissension among Communist parties.

It notes the statements of a number of Communist parties approving the Soviet measures against the personality cult. It quotes such sections from the Chinese, French, and American parties. The only criticism of a foreign Communist leader is directed at Togliatti. His 16 June interview is "substantial and interesting," but along with "many of the most important and correct deductions" it is said to contain "some incorrect tenets."

Ambassador Bohlen feels Moscow's resolution may reflect some uneasiness and possible differences of view in the upper reaches of the Soviet party over foreign Communist reaction to the de-Stalinization program. He believes, however, that it does not forecast any backtracking from the main policy lines laid down at the 20th Party Congress, including de-Stalinization, but instead, strongly reaffirms the Soviet government's intention to continue along present lines.

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THE POZNAN RIOTS

Despite the claims of the Polish regime that its liberalization program will continue, the Poznan riots have doubtless brought under review in both

Warsaw and Moscow the whole question of the practical dangers inherent in such a course. The riots will probably enable the Moscow-oriented elements

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

5 July 1956

of the Polish party to check the move toward greater party democracy and a greater measure of independence from Moscow, and thus set back at least temporarily the efforts of Premier Cyrankiewicz and the liberal elements.

Economic Grievances

The initial demonstrations in Poznan were in protest against specific economic grievances which the regime had failed to correct. A delegation from the Stalin Locomotive Works in Poznan visited Warsaw several days prior to the riots to present complaints about pay cuts



and working conditions, and when their demands were not fully met, the workers decided to stage a peaceful demonstration.

The demonstrations began about eight o'clock on 28 June, when workers gathered at the university grounds in Poznan to hear speakers attack economic conditions. The demonstrators then began moving through the streets and were joined by other townspeople, until there were about 20,000 people participating by mid-morning. The crowds were orderly until the security forces, attempting to fire over the heads of the demonstrators,

killed several people. The mob then attacked the security police building, the headquarters of the Polish United Workers' Party, the railroad station and several other buildings, and began tearing down Soviet flags and shouting anti-Communist slogans.

Control Measures

The militia and many of the local garrison troops reportedly refused to act against the mob. Some allegedly gave guns to the rioters. While it is not clear whether or not this was their only source of arms, all observers agree that the rioters had weapons, including machine guns. About midafternoon tank units began to arrive in the city, and heavy fighting continued until the early morning hours of 29 June.

While the regime originally claimed that the riots were over by the morning of 29 June, sporadic disturbances apparently continued until at least the early morning of 1 July. Officials of the American embassy in Warsaw reported that the locomotive works appeared idle on 29 June, and business did not return to normal for several days. The regime has admitted that there are 50 dead and over 300 wounded, but eyewitness accounts indicate that the figure for dead alone probably totals at least 500.

Organization and Leadership

Some planning and organization clearly preceded the demonstrations, but contrary to the regime's claims that they were organized by "agents of the imperialist powers," they appear to have been planned by a group within the local

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****5 July 1956**25X1
factories. [redacted]

[redacted] a Polish trade official said he knew of the planned demonstration a week in advance. [redacted]

and shortcomings." He also claimed that mistakes made by the government leading to the workers' grievances and riots would "be made good immediately."

Despite these promises, the regime is likely to proceed cautiously with any further liberalization, although it probably will make some economic concessions. A Polish Communist who arrived in Berlin on 29 June stated that the riots will result initially in a severe blow to the more liberal policies advocated by Cyrankiewicz and other liberal forces within the party, and will increase the influence of the conservative views of First Secretary Ochab.

The demonstrations were clearly staged to take advantage of the presence of many Westerners who were attending the 25th International Trade Fair. The demonstrators shouted in French and German to visiting foreigners: "Tell the outside world what you have seen. We want things to become better, and we want the Soviets to disappear."

Reaction of the Polish Regime

Despite the presence of hundreds of observers from outside the Soviet bloc in Poznan, the regime did not hesitate to use all the force at its command to put down the riots. It has promised that those responsible will be punished "with all the severity of the law," and has begun large-scale arrests, partly to intimidate the remainder of the population.

At the same time, the government has attempted to differentiate between the "provocateurs" and the vast majority of the Poznan workers, who at most allowed themselves to be misled "in order to achieve an improvement in their difficult circumstances." Premier Cyrankiewicz made a conciliatory speech to the people of Poznan on 29 June in which he indicated that the liberalization program would be continued, stating "we shall always welcome every sign of the so-far-insufficient, healthy and patriotic criticism of our work and of our mistakes

Ochab has made no public statements or appearances since the riots began on 28 June. Although this may indicate he is in trouble, it may only reflect the regime's belief that Cyrankiewicz can be more successfully used to mollify the population at this time than Ochab.

Reactions in the Soviet Bloc

Official announcements from other Satellites and from Moscow have echoed the Polish line that the riots were organized by a reactionary underground aided by imperialist agents. Satellite news media have called for increased vigilance lest similar outbreaks occur elsewhere in Eastern Europe. A Hungarian central committee resolution announced on 30 June, sharply condemning the anti-Rakosi elements in the Hungarian party, specifically cited the "Poznan provocations" as a warning to all Hungarians to "oppose firmly attempts at troublemaking." [redacted]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

PART II

NOTES AND COMMENTS

SOVIET POLICY IN THE NEAR EAST

Statements in Moscow by Soviet officials, as well as remarks made by Shepilov on his recently concluded tour of the Near East, have been phrased so as not to add to the tensions in the area. Moscow has avoided encouraging the Arabs or the Israelis regarding the Palestine dispute, the Arabs with respect to the Algerian problem, and the Greeks regarding the Cyprus issue.

Arab-Israeli Dispute

In his talks with officials in Egypt and Syria recently, Soviet foreign minister Shepilov reportedly urged the Arabs to let time take care of the Palestine problem and expressed Soviet support for any UN move toward a peaceful settlement.

Khrushchev's remarks to an Egyptian correspondent in Moscow which were printed in the Egyptian press on 1 July were also in effect a plea for peace. While sharply critical of Israel--"a small state that hates stability and always strives for trouble"--he warned that "war between Israel and the Arabs means a third world war," and urged the Arabs to be patient and to "exert all efforts to preserve peace."

Algeria

Shepilov was also reticent about backing the Arabs with any statement on Algeria. He reportedly told the Egyptians that while the USSR would support the Arabs in taking the Algerian question to the Security Council, it did not think the move would be a useful one. In the Security Council discussion on 26 June, the USSR asked for "indefinite postponement" of the issue but when this was refused, it voted unsuccessfully for inclusion of the issue on the Security Council agenda.

In Lebanon, Shepilov backtracked considerably and reportedly talked to Lebanese officials of the "need for a solution to be worked out between the French and the Algerians." He allegedly insisted that French prime minister Mollet had a "good" plan for Algeria and should be allowed to implement it.

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

Cyprus

Bypassing an opportunity to stir up greater Greek rancor against the British, Shepilov made no new statements during his visit to Athens regarding the Cyprus question. Greek foreign minister Averoff issued a communiqué on 30 June following his talks with Shepilov which said that the Cyprus problem had been fully explained to the Soviet foreign minister but which did not state Shepilov's position,

In a press conference on the same day, Shepilov answered a number of questions on Cyprus by saying that the problem was outside the framework of Greek-Soviet relations but that "the Soviet Union's attitude toward the Cyprus issue was clearly defined at the ninth and tenth General Assemblies." He added that the USSR believed the starting point for a solution of the question "is the principle of freedom and independence of peoples, small and large, and their right to self-determination." [REDACTED]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

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USSR SUPREME SOVIET TO MEET

The USSR Supreme Soviet in the session scheduled to convene on 11 July will probably go further than at any time in the past in attempting to create the impression that it is a true legislature. To this end it may amend the electoral law, may hold committee meetings, and may debate with some appearance of spontaneity measures brought before the session.

The measures to be taken at the Supreme Soviet session presumably will be presented and explained to the party's central committee at a plenum which may take place shortly before the Supreme Soviet meets. There has been a report that a plenum scheduled for "sometime in June" had been postponed.

Electoral System

There have been persistent rumors that the Soviet electoral

system was to be overhauled so that voters would have more than one candidate to choose from and that the regulation governing the recall of deputies was to be strengthened. Heretofore, there has been only one candidate for each position, though the present electoral law permits several. Similarly, recall is specifically provided for in the law, but has been exercised so seldom that the provision is virtually a dead letter.

Another indication that the electoral system may be changed appeared last week when Izvestia published an article written especially for the Soviet newspaper by Leo Hamon, a member of the French Council of the Republic. The article appealed for parliamentary control over the Soviet government. "An important part in the effective realization of collective leadership,"

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

5 July 1956

Hamon wrote, "could be played by a well-informed parliament where opinions were voiced publicly and everyone could be called on to state his personal view...In the name of the public the members of parliaments would also be able to exercise control over their governments, to prevent rash actions."

Other Matters

The Supreme Soviet may consider other measures and hear reports designed to demonstrate the interest of the Soviet state in relaxing international tensions, improving the welfare of its people and regularizing justice.

Among these may be a report on the Tito visit, the Bulganin-Khrushchev trip to Britain, and other foreign developments since the last Supreme Soviet session in December 1955; a revision of the USSR state budget to reflect the recent 1,200,000-man cut in the armed forces, and to finance new incentive measures; enactment of a

pension law with possibly minor revisions in the draft already published; consideration of draft laws on the labor code, criminal code and criminal procedure code; and an extension of the powers of the local Soviets as part of the continuing program of administrative decentralization.

The session will probably perform the ritual of ratifying the decrees passed by its own presidium in the period since the last time the Supreme Soviet met. These decrees covered the reorganization of ministries and shifts in ministers, changes in the territorial-administrative structure of the USSR, changes in the length of the workweek, and repeal of the harsh penalties formerly prescribed for tardiness and absence from work, repeal of Stalin's laws granting extraordinary powers to the secret police, revisions in the structure of the prosecutor-general's office, and extension of the period of leave from work granted for maternity.

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**CHOU'S SPEECHES HIGHLIGHT
NATIONAL PEOPLE'S CONGRESS**

The Chinese Communist National People's Congress wound up its third annual session with domestic and foreign policy speeches by Premier Chou En-lai. Chou stated that a government decentralization program is in draft form and will be "provisionally" implemented next year. In his first major foreign policy speech since January, Chou made a studied effort to appear conciliatory on the Taiwan issue while making no concessions.

Domestic Issues

Although a special feature of the congress this year has been an effort to characterize Peiping's "transition to socialism" as a noncoercive program, one speaker made the unusual admission that intimidation had been used to break the resistance of China's capitalists to socialization. Li Wei-han, director of the party's United-Front Work Department, stated that the "five anti's" campaign

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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

of 1951-1952 had provided capitalists with a "profound understanding of the danger" of profiteering. The harshness of this campaign was said to have enabled the regime to adopt later "a more moderate form" of placing capitalist enterprises under "joint" state-private ownership.

On the last day of the congress, Premier Chou En-lai made a point of "accepting" the various "criticisms" made by the delegates during the session. In step with Soviet precedent, he introduced the subject of government decentralization. Chou stated that efficiency and creativeness would be improved if local authorities were given "defined powers" of administration in various fields. He observed that a draft plan for the division of power had already been drawn up.

Chou's remarks suggest that Peiping, apparently satisfied that the centralization of the administration has been basically completed, is hoping to stimulate initiative of local officials by giving them limited decision-making authority.

Foreign Policy

In his first major policy statement since January, Chou offered to negotiate with the "Taiwan authorities." He asked the Chinese Nationalists to designate the time and place for negotiations and pledged "no punishment for past misdeeds." Chou was careful to point out, however, that his offer carried

no hint of a "two Chinas" solution to the Taiwan issue and left no doubt that he was speaking in terms of a Nationalist surrender.

Chou warned that continuation of the American-Chinese ambassadorial talks in Geneva "is possible only under the condition that it be made advantageous to both sides." While this language implied a threat to break off the talks if the deadlock continues, Chou elsewhere in his speech suggested that Peiping continues to view them as useful in advancing its claims for diplomatic recognition. American failure to recognize Communist China while negotiating with it at Geneva was labeled a "contradiction."

In line with the Sino-Soviet bloc policy of engaging the West in long-range competition on economic aid, Chou affirmed that the Chinese Communists are willing to contribute "what little we can" to assist in the economic development of other countries. Peiping is giving Burma technical assistance in building a textile factory and recently signed a two-year \$22,400,000 aid agreement with Cambodia.

Although its ability to grant economic assistance is limited, Peiping intends to make the most of it to demonstrate that with support from the Soviet bloc, Communist China is making rapid strides in its economic development. Laos may well be the next target in Peiping's economic offensive. Premier Souvanna Phouma is scheduled to visit Communist China this summer.

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

COMMUNIST CHINA COMPLETES
NEW NORTH-SOUTH TRUNK RAILROAD

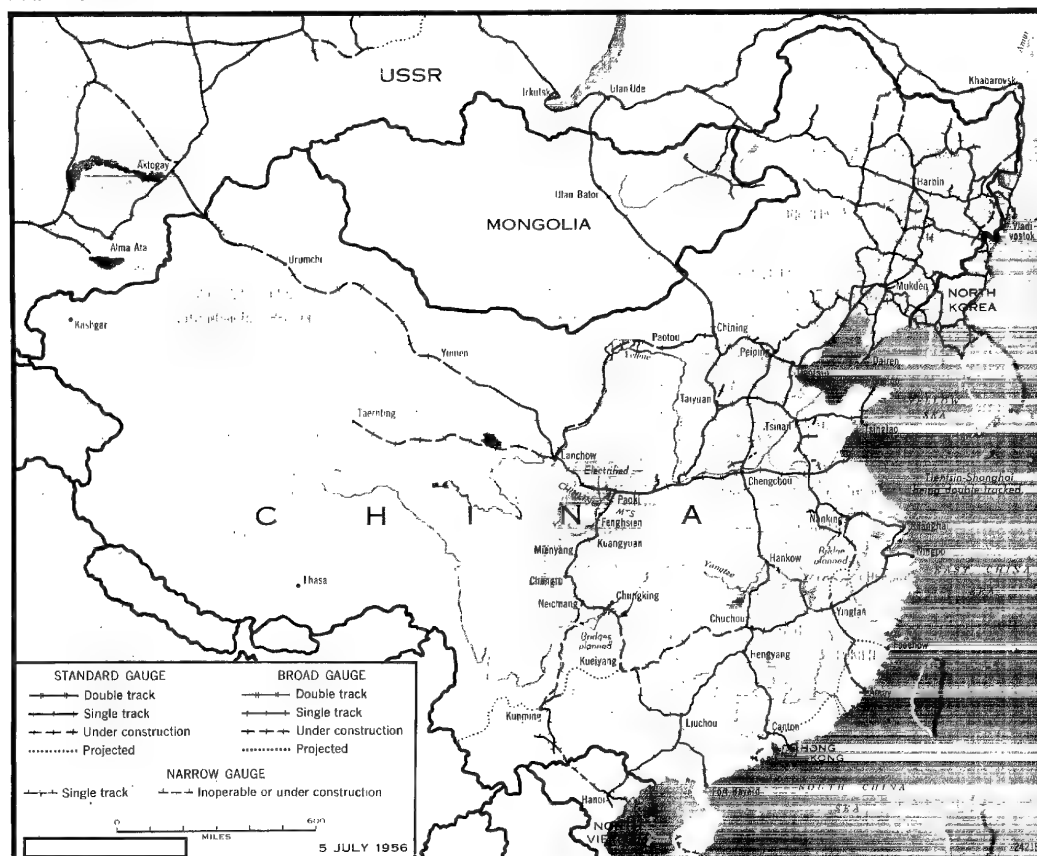
The Chinese Communists have announced completion of one of the most important railway construction projects of the First Five-Year Plan. Opening of the Chengtu-Paoki railroad completes a 728-mile link from the main east-west line in North China to Chungking on the Yangtze River which will connect with two additional trunk lines now being extended into southwest China. This new north-south rail axis, some 600 miles from the eastern coastline, will permit within the next few years direct inland rail service from the USSR to Indochina.

On completion of the Chungking-Chengtu railroad in 1952, construction was started on the new link between Chengtu

and Paoki, on the main east-west line in North China. The 415-mile line was originally not planned for completion until 1957, but economies in construction and a decision by the Chinese to accelerate construction of transport lines to remote areas put it 18 months ahead of schedule.

The line was built under Soviet direction by three of China's Railway Engineering Bureaus, using at least 150,000 laborers. It crosses some of the most rugged terrain in the country. The 13,000-foot Chinling Mountains are crossed by a series of 59 tunnels--some of them curved and over a mile and a half long--while another 89 tunnels were built on the southern

Railroads of Communist China



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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

section of the line. Since the grades in the northern section through the Chinlings are too steep for ordinary steam locomotives, this 100-mile section, from Paoki to Fenghsien, will be the first mainline electrified railway in the country.

To support the rail construction program in the Western hinterland, a construction machinery repair and assembly works is being completed at Paoki.

The railroad will facilitate the movement of some 500,000 tons of food crops a year from

rice-rich Szechwan Province to other areas of China.

Completion of the new line will facilitate construction of two projected lines across the Yangtze River into Yunnan and Kweichow Provinces which will, when finished, speed the economic development of those areas. By 1959, when the Trans-Sinkiang line may be completed, a new network of rail lines in western China--linked by the Paoki-Chengtou line--will permit direct rail shipments from the USSR to Indochina.

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25X1SOVIET VIEWS
ON A WESTERN ECONOMIC CRISIS

Since the 20th Party Congress, Soviet economists have remained unwilling to commit themselves to any specific timing for a major Western depression. A recent pronouncement of Eugene Varga, the controversial dean of Soviet economists, concludes that the next economic crisis in the United States will not be so severe as that of the early 1930's.

The speeches of Khrushchev and Mikoyan at the party congress last February suggested a belief that continued Soviet pressure for general disarmament could succeed in reducing the level of Western arms production and thus remove what Communist spokesmen have frequently described as an artificial prop preventing a capitalist depression. The speeches also revealed a conviction that the growing economic competition between the Sino-Soviet bloc and the West in industrially undeveloped areas would bring closer the ultimate economic collapse of the West.

On the other hand, Mikoyan's lengthy description at the congress of the weaknesses in Soviet analyses of world capitalism and his call for more accurate research indicated that the leadership was dissatisfied with present studies of the subject.

Revived Institute

In late April, an Institute of World Economics and International Relations was established in the USSR Academy of Sciences to improve Soviet study of present-day capitalism and relations between the capitalist and Communist economic systems. A former institute of similar name, headed by Varga, had been abolished in the midst of controversy in 1947. Initial steps toward re-establishing a new institute had been taken in August 1955, but little progress was made until April. The long delay, and the fact that the leaders of the new institute have not

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

5 July 1956

yet been named suggests that difficulties are being encountered, either in finding competent economists or in determining the role of Varga in the new institute.

Varga may be less optimistic than the party leadership about the possibility of an imminent Western economic collapse. In an article on world capitalism appearing in an April issue of the party theoretical journal, Kommunist, he emphasized that while an economic crisis was developing in the United States, it would probably not be so severe as the "Great Depression" of the early thirties, in part because of continued high-level military expenditures.

Another factor which he thinks will bolster the American economy over the next few

years is continued large-scale capital investment necessitated by the "present technological revolution," particularly in the fields of automation and industrial use of atomic energy. Varga seems to place less emphasis than did Khrushchev at the party congress on economic competition between the Sino-Soviet bloc and the West as a means of exacerbating Western economic weakness.

In a different vein from Varga's relatively moderate tone, other Soviet economists in recent months have predicted that the USSR might catch up with the United States in industrial production within the next 10 or 15 years. These optimistic statements may reflect the hopes of the Soviet leadership that a major depression will occur in the United States during that period.

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GUATEMALA

The government of President Castillo Armas, which held "Liberation" celebrations between 1-3 July, only a week after serious student disorders, appears to have control of the situation in Guatemala City. No major disturbances have been reported since the government's declaration of a state of siege on 26 June, but there have been some attempts at sabotage, and differences between the government and students remain unsettled.

power in Guatemala. Castillo's position with these elements, which may have pressed him to follow the firm measures of last week, probably has been strengthened by his at least momentary shift to the right from a moderate policy.

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Leftists of varying degrees played an important role in the demonstrations of 24-25 June, but the major threat to the Castillo regime seemingly would come from disaffection of his army and rightist support. The army is the ultimate locus of

Castillo has probably lost some support from the majority of politically conscious Guatemalans who include middle-class, professional, labor and student elements. One union federation apparently refused to approve any manifesto even indirectly supporting the government.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

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No formal agreement has yet resulted from the talks between the government and the students, who demand the release of those students still


under arrest and punishment of policemen for their harsh action. On 30 June, certain student leaders reportedly said the government had been victorious "for the present" and that the student strike appeared hopeless. Later Ambassador Sparks reported that the release of most of the arrested students had relaxed tension appreciably. 

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BRAZILIAN COMMUNISTS BREAK WITH KUBITSCHKE REGIME

The increasingly firm anti-Communist position which President Kubitschek has been adopting recently probably stems in part from personal conviction and in part from a desire to provide a favorable climate for foreign investment in Brazil. This attitude appears likely, however, to provoke considerable Communist retaliation which may intensify the government's difficulties and add new impediments to its economic rehabilitation program.

Firmer Government Position

The government's strong actions during May against the illegal but influential Communist Party resulted on 5 June in the party's first open attack on the four-month-old regime. 

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The party supported Kubitschek's election but now labels him a "tool of Yankee imperialists" and "blind to the needs of the people."

Kubitschek's new firmness began to be evident in May when he found himself seriously challenged by joint Communist and conservative efforts to

force congressional passage of amnesty measures that would have benefited Communist Party members. The government stepped up its raids and arrests, and Kubitschek personally marshaled his coalition to defeat the measures. Later he publicly blamed the Communists for the serious "streetcar riots" in Rio de Janeiro. In June, the government announced the closing of the Communist-dominated National Emancipation League and a Communist-infiltrated labor union, and added that other fronts were under investigation for evidence of subversion.

Political Consequences

The powerful and determined non-Communist opposition is unlikely to regard the government's new firmness as a reason for ending its harassment campaign, which has at times assumed anti-US and pro-Communist overtones. 

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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

Friction has already developed within Kubitschek's Social Democratic Party (PSD) whose congressional leader was an officer of the National Emancipation League. The youth faction of the PSD is reported outraged at the government's use of force to quell Communist-inspired student riots.

Economic Consequences

The Communist "break" with the administration will also

remove the comparative restraint with which the party has treated Kubitschek's efforts to halt inflation and encourage foreign investment. The Communists probably will revert to agitation for inflationary wage increases and attack the current budget cutbacks, besides redoubling their efforts to foster anti-American economic nationalism. If Brazil's economic situation should deteriorate further, they could gain both in numbers and influence. [REDACTED]

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THE NEW AUSTRIAN GOVERNMENT

Chancellor Julius Raab's new coalition government--installed in Vienna on 29 June after five weeks of negotiations--reflects his People's Party's moderate gains over the Socialists in the 13 May elections. Although both parties have shown restraint for the sake of their continuing partnership, it is probable that their overall agreement conceals disagreements on details, particularly on such major issues as the new Austrian army and the future of the nationalized industries. Prospects are, however, that government stability will continue.

For the first time in the postwar period, Austria will have a Ministry of Defense. Headed by a People's Party man, who is acceptable to the Socialists in part at least because he is not a favorite of the chancellor's, the new ministry will also have a state secretary who will represent the Socialists in the conduct of the ministry's affairs. This may alleviate some of the earlier Socialist distrust of the new army. Whether or not military preparedness will now be accelerated is primarily a budgetary matter, however, and there is

already some doubt that adequate financing will be found.

The other major change in the government is the dissolution of the Ministry of Transport and Nationalized Industries, popularly known as "Minister Waldbrunner's Empire." Waldbrunner will continue in the cabinet, but his truncated ministry will now be confined to transport, civil aviation, communications, and the hydroelectric industry. All other nationalized industries--excepting the two large nationalized banks under the Ministry of Finance--will be controlled by government corporations, supervised by a ministerial committee headed by the chancellor.

Whether this is a "solution" of the vexing problem of nationalization which figured so prominently in the elections will be clearer after the 6 July debate on the government program. Raab has said that there are still unresolved issues respecting the oil industry, and his reference to the "role of the provinces" suggests the controversial scheme for issuing "people's shares" has not yet been dropped. [REDACTED]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

INDONESIAN COMMUNIST PARTY

A major public address on 27 June by D. N. Aidit, secretary general of the Indonesian Communist Party (PKI), appears to chart the course which the party will follow during the coming months.

Domestic Policy

On domestic affairs, Aidit followed the line of the Soviet 20th Party Congress by stating that the Indonesian Communist Party would prefer to achieve socialism through parliamentary procedures. He made it clear, however, that the party might be "forced" at some future time to use "nonparliamentary means."

Aidit warned the present non-Communist Indonesian government not to take steps against the Communists. National-front tactics apparently will be continued, but the Indonesian Communist line probably will not be co-ordinated with the policy of the National Party, which heads the cabinet, to the extent it has been for the past three years.

Communist strategists may reason that while co-operation with the National Party helped the Communists win 17 percent of the popular vote in the 1955 elections, it did not help them obtain representation in the cabinet. Therefore, the Communists are likely to resume a more independent position and to criticize and harass the coalition government more frequently in the coming months. They will probably concentrate on strongly anti-Communist elements in the cabinet. Simultaneously, the Communists will continue to pursue "national unity" tactics on nongovernment levels, as in labor, youth, and women's organizations.

De-Stalinization

On the subject of Stalin and the personality cult, Aidit said the issue had been confused by the capitalist press. He agreed with Soviet criticism of Stalin, but added that the capitalist press had failed to mention how the "bandit Beria" had taken advantage of Stalin's mistakes to murder party cadres and to create trouble between the Soviet party and the state and between the USSR and the "people's democracies."

Aidit still recognizes Stalin as a great Marxist, and recommends that Stalin's works be studied as thoroughly as before--"but in a Marxist and not a dogmatic manner." He appealed to the Soviet party to issue a statement about Stalin's "good works" as well as his mistakes.

The position taken by Aidit presumably was developed with advice from Soviet and Chinese strategists. He is believed to have remained in the USSR for almost three weeks after the 20th Congress, and he arrived in Peiping in mid-March, shortly before the new Indonesian cabinet was formed.

The line on de-Stalinization seems to indicate strong Chinese Communist influence, including a desire not to become any more involved in the controversy than necessary. Like the Chinese, and in contrast to Western Communists, Aidit follows a middle road, neither completely accepting the repudiation of Stalin nor criticizing present Soviet leaders for the de-Stalinization program or for their policies during Stalin's lifetime. At the same time, Aidit's statements are

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****5 July 1956**

designed to demonstrate to the Indonesian public a degree of independence and freedom of

expression on Soviet Communist Party affairs.

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**INDIAN OPPOSITION PARTIES
PREPARE FOR 1957 ELECTIONS**

Indian opposition parties are already discussing intra-party and interparty unity measures for use against the ruling Congress Party in the national elections scheduled for early 1957. According to a news report, the central committee of the Indian Communist Party, which opened a 10-day meeting on 2 July, is to hear reports from various states regarding the possibility of forming united fronts with other opposition parties.

The secretary general of the Communist Party also claims to have held unity talks already with Praja Socialist leaders. In addition, he expects to reach an agreement with the rival Socialist Party, which is led by Dr. Lohia. The Praja Socialists have for years refused to align themselves with the Communists in election contests. Dr. Lohia, however, has on past occasions indicated his willingness to do so, and his Socialist Party may well reach agreements with the Communists not to contest with each other, despite recent remarks by Lohia regarding his party's independence.

An illustration of the success of opposition unity talks is the fact that two branches of the Socialist Party in Andhra and Hyderabad States have already agreed to merge when the states reorganization plan affecting them goes into effect.

Congress Factionalism

By contrast, regional Congress Party meetings seeking to end factionalism are apparently having little success.

A recent meeting of 300 Congressmen from six north Indian states reportedly made no significant progress toward settling disputes. Another meeting of Congress members from southern Bombay State, where strong opposition exists to New Delhi's plan to divide the present Bombay State into three parts, passed by a very small majority an ambiguously worded resolution supporting the government. The Congress Party organizations in Andhra and Hyderabad States, unlike the Socialists, are insisting on remaining autonomous.

Danger to Congress Party

In East Pakistan in 1954 and Ceylon in 1956, the ruling party, which enjoyed an overwhelming majority, was heavily defeated in free elections because of its failure to conduct an active campaign and its underestimation of the ideologically diverse and numerically weak opposition parties which united shortly before election time with the sole aim of ousting the party in power. In both cases these opposition groups waged strong campaigns at the village level and concentrated their programs on local issues and

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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

grievances. At the moment, it seems that Indian opposition parties are preparing to do likewise and that the Congress Party is not fully alive to the danger.

Unless the Congress Party takes more effective steps than

it appears to be doing at present to unify its party organization and to expand its grass-roots contacts, it is likely to have its heavy majority in parliament and in most state governments drastically reduced in the next national elections.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

PART III

PATTERNS AND PERSPECTIVES

THE HUNGARIAN OPPOSITION

Strong forces in opposition to the Hungarian Communist Party leadership have in recent months begun to coalesce into an active political faction with identifiable leaders.

This group, essentially one of moderation, advocates the removal of the "Stalinists," including Party Secretary Rakosi, and favors the democratization of the Communist system and an immediate rise in the standard of living. The group has received moral encouragement from the decisions of the Soviet 20th Party Congress and has taken advantage of Rakosi's apparent failure to maintain tight party discipline. However, a resolution passed by the Hungarian central committee on 30 June attacking "anti-party" elements, suggests that Rakosi, with apparent Soviet support, is attempting to reassert his leadership.

Roots of Factionalism

Factionalism, traditionally spearheaded by party members with a moderate policy orientation, has harassed the

Hungarian party leadership since the Communist takeover in 1947. Until 1953, party strong man Rakosi, using Stalinist tactics, was always able to quash this opposition.

Lazslo Rajk, minister of interior and a potential rival, was executed in 1949 for "nationalist deviation." Rajk was a home-grown Communist who had been active in the illegal Communist party in Hungary during World War II, in contrast to the Rakosi-led clique which spent the war years in the USSR. During 1950 and 1951, a group of "nativist" Communists, including members of the Debrecen group, (prewar "nativist" Communists who were active in the city of Debrecen) were removed from their positions--in some cases imprisoned --and replaced by Moscow-trained Communists.

By 1952, Rakosi had checked factionalism within the party, and had reached the zenith of his power. But in mid-1953, soon after the death of Stalin and the inception of the "new course" in Moscow, Imre Nagy



RAKOSI



KADAR



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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

was appointed premier. Although Nagy also was a Muscovite, his policies gradually moved into direct conflict with Rakosi's orthodoxy, taking a moderate line similar to that advocated by Rakosi's deposed enemies.

Nagy, who reportedly gained the support of a majority of the party membership, favored greater liberalism in domestic policies, particularly in regard to the relation of individual and national independence to the Communist system; decentralization and democratization of the party; and immediately increased standards of living. His views led some party members to advocate policies which, on occasion, conflicted with Soviet objectives.

Rakosi, arguing that Nagy's policy was leading to a downgrading of the party's supreme role in society, got a green light from Moscow in early 1955 to check the Nagy-led opposition and oust Nagy from the premiership. Nagy was replaced by the present premier, Andras Hegedus, who is a Rakosi follower.

By this time, however, the anti-Rakosi forces within the party had become entrenched. Despite disciplinary measures taken against leading artistic figures, literary circles, for example, accustomed to greater freedoms under Nagy, simmered in near revolt during 1955, attacking Rakosi's harsh domestic policies and calling for greater freedom of expression.

The Opposition Today

The cutback throughout the Soviet bloc in the use of police power to maintain discipline and control after 1953 made Rakosi's problem of control more difficult. The Soviet 20th Party Congress and subsequent developments, such as the Tito-Soviet declarations, the Satellite rehabilitation program and

the statements by Togliatti and other Western Communist leaders criticizing Khrushchev brought opposition to Rakosi into the open at all party levels. At the same time, these developments fostered the coalescence of the moderate forces, including the Debreceenists and Nagyists, around a group of opposition leaders. The moderates interpreted the Soviet congress as an endorsement of the exercise of greater responsibilities by local Communist parties over local party affairs, and of Moscow support for their demands for a greater voice in the formation of domestic policies.

Janos Kadar, a local party secretary since 1954, has been reported as one of the leaders of the opposition. A former politburo member and minister of interior after Rajk from 1948 until 1950, Kadar, who was closely aligned with the Debreceen group, was reportedly arrested in 1951 on charges of national deviation. Along with so-called "nativist" Communists, Kadar was a beneficiary of the release and rehabilitation program started under Nagy.

Although a staunch Communist, Kadar is supported in part by a group whose adherence to basic ideology is at best questionable. His power and the strength of his faction were demonstrated in mid-June when Soviet presidium member Suslov reportedly sought out Nagy--who holds no party post--and Kadar when he was in Budapest in June to discuss the factionalism problem.

Leading party figures apparently sympathetic to the more moderate forces, despite occasional speeches defending Rakosi's policies, include Sandor Nogradi, the director of Agitprop, and Istvan Kovacs and Bela Szalai, members of the party secretariat and politburo. Szalai is reportedly a friend of Nagy and sympathetic to his group. Szalai, who was made

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CURRENT INTELLIGENCE WEEKLY SUMMARY

5 July 1956

chief of the national planning office in 1953, is an excellent economist and has been rising rapidly. Kovacs may be motivated mainly by opportunism since he has sought to curry favor with both sides in the past. Nogradi's association with this group is significant because he is Moscow-trained.

Support for Rakosi

The attack in the Hungarian central committee resolution on 30 June against "anti-party" elements suggests that Rakosi's leadership was re-endorsed by Suslov when he was in Budapest in June and by Soviet leaders during Rakosi's reported trip to Moscow following Tito's visit.

The Poznan riot was specifically cited in the central committee resolution and utilized by the regime as justification for its attack against the danger of the "anti-party group."

Measures apparently will be taken to curb excesses of criticism which have threatened "the leading role of the party." Some modifications, however, may be made in political realignment in an effort to overcome the factional problem. Such an adjustment could lead to the appointment of several moderate leaders, including Janos Kadar, to important government posts or to positions on the politburo, but probably would not lead to a capitulation to opposition tenets. [REDACTED]

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